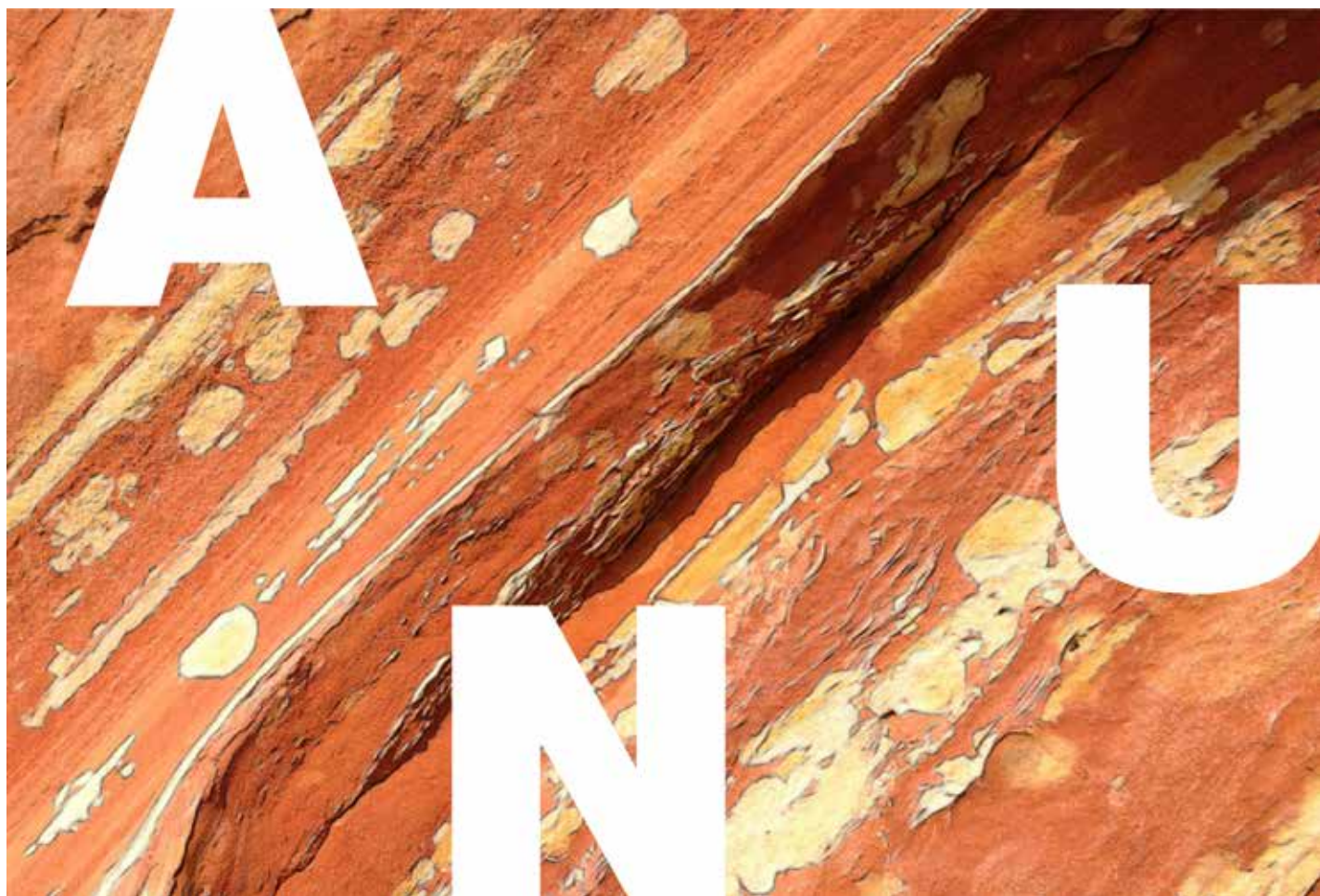




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THE ECONOMIC IMPACT OF THE
MINING BOOM ON INDIGENOUS AND
NON-INDIGENOUS AUSTRALIANS

B. HUNTER, M. HOWLETT AND M. GRAY

Centre for
Aboriginal Economic
Policy Research
ANU College of
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CAEPR WORKING PAPER NO. 93/2014

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May 2014



The economic impact of the mining boom on Indigenous and non-Indigenous Australians

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Working Paper No. 93/2014
ISSN 1442-3871

ISBN 0 7315 4992 9

An electronic publication downloaded from caepr.anu.edu.au.

For a complete list of CAEPR Working Papers, see caepr.anu.edu.au/publications/working.php.

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Abstract

Until the global financial crisis reduced Australian economic growth in late 2008, Indigenous employment had been increasing in both absolute and relative terms for over a decade. The effect of the international economic contraction has been mitigated by Australia's booming mining sector, largely due to China's growing demand for resources. Given that a substantial number of mining operations are on or near Indigenous land, the increase in mining investment may have disproportionately affected Indigenous communities. There are concerns that, in remote mining areas, the increases in housing costs generated by the mining boom mean that anyone who does not work in the mining industry, particularly those who rely on government benefits, will find it harder to afford housing. Localised inflationary tendencies can also affect people employed outside the mining sector, but one would expect that scarcity in the labour market would drive up wages in both mining and non-mining jobs. This paper examines changes in Indigenous employment, income and housing costs to identify any localised 'resource curse' for Indigenous communities and the Australian population at large. The paper draws on data from recent censuses, the geographic location of mines and mining investment to identify some potentially important effects of the mining boom on Indigenous communities. The main finding is that the mining boom has improved employment and income outcomes, but increased average housing costs. While the average increase in income has generally offset the increase in costs, there is some evidence that housing stress for low-income households has increased as a result of the mining boom.

Keywords: Mining boom, Indigenous employment, income, housing stress

Acknowledgments

Earlier versions of this paper were presented to the 2013 Symposium on Indigenous Peoples, Economic Empowerment and Agreements with Extractive Industries, the Australian Social Policy 2013 Conference and as a Centre for Aboriginal Economic Policy Research (CAEPR) seminar. The authors are grateful to Ann Daly, Will Sanders, Prem Thapa and participants at the conferences and seminars for comments. This paper is based on research funded by the Department of the Prime Minister and Cabinet; views expressed in it are those of the authors and may not reflect those of the Department or the Australian Government.

Acronyms

ABS	Australian Bureau of Statistics
AHURI	Australian Housing and Urban Research Institute
CAEPR	Centre for Aboriginal Economic Policy Research
CDEP	Community Development Employment Program
CNOS	Canadian National Occupancy Standard
FIFO	fly-in, fly-out
IARE	Australian Bureau of Statistics Indigenous Areas

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Introduction

The Australian mining boom at the beginning of the 21st century has generated great wealth and resulted in a large number of new jobs, including direct employment in mining, and in companies supplying to the mining industry. While the Australian economy as a whole has benefited, the regions in which the major mines are located have seen even larger economic expansions. Indigenous Australians have benefited at least in terms of employment, with analysis of 2006 and 2011 Census data showing substantial increases in Indigenous employment in mining, particularly in Western Australia and, to some extent, Queensland (Gray, Howlett & Hunter 2013). Some authors have argued that some regions have fared better than others, and Australia can be characterised as a two-speed economy (National Economics 2012).

Historically, the mining sector has employed only small numbers of Indigenous workers. In the early 1990s, the number of Indigenous workers employed in mining was measured in the hundreds (Taylor 1993); by 2011, this had increased to more than 7,000. Between 2006 and 2011, the number of Indigenous people employed by the mining industry more than doubled. There was also a marked increase in participation of Indigenous women in mining over this period.

Whether Indigenous people have benefited from the mining boom has been a topic of debate, particularly in view of the considerable evidence that Indigenous people did not experience substantial economic gains from previous mining booms (e.g. Cousins & Nieuwenhuysen 1984; Taylor 2004; Taylor & Bell 2001; Taylor & Scambary 2005). Langton (2013) argues that there are three reasons why the current mining boom—unlike those of earlier periods—has seen substantial numbers of Indigenous people employed by mining companies:

- The current mining boom is larger in magnitude, driven by economic growth in Asia, and has thus created many new jobs.
- The current boom has taken place after a sustained period of growth in the Australian economy since the mid 1990s (hence the labour market has relatively low unemployment rates).
- Mining companies are increasingly realising that Indigenous employment is an important part of agreements to mine on Indigenous land because it supports their 'social licence' to operate.

There is broader debate about the extent to which the benefits of the Australian mining boom have been shared among various population groups (Minifie 2012;

National Economics 2012). In some regions, the local economy has boomed, with a substantial influx of labour (often fly-in, fly-out [FIFO] workers) and significant improvements in productivity and wages. Other areas are stagnant, as investment shifts to the mining regions and the high Australian dollar makes exports relatively uncompetitive. This is the regional manifestation of what is commonly referred to as the 'resource curse' (National Economics 2012). In essence, this is an economic imbalance, where capital and labour are not allocated to their optimal uses, with considerable social and political implications (Warr 2006).

Much of the existing academic literature focuses on national aspects of the resource curse that are driven by structural change associated with higher exchange rates as international enterprises buy resources. However, this paper specifically focuses on regional dimensions of the issue within Australia.

Given that many Indigenous communities are located near operating mines, it is understandable that the debate has turned to the effect of the growth in mining and associated industries on Indigenous communities. Langton (2010) describes a resource curse on local Indigenous populations in Western Australia. She argues that anyone who is not in paid employment is disadvantaged in important ways: their income is much lower, yet they must pay the same prices for housing, food and services that are inflated as a result of large-scale mining activities. She captures the nature of the concern thus:

The threat of the curse still lingers. It is likely that costs in the mining provinces will rise and cause problems for residents who are caught in highly localised impacts. In the Pilbara anger is mounting as the distress of the locals becomes more apparent. A caravan park berth now costs a thousand dollars per week. (Langton 2010: 50)

This paper uses data from the 2006 and 2011 Censuses to estimate the impact of the mining boom on a range of economic indicators including employment, personal and household income, housing costs and housing stress, and home ownership. It also considers the extent to which the mining boom has affected income distribution within mining areas and how this compares to non-mining areas. Because the economic effects of mining may differ between remote and non-remote areas, much of the analysis in this paper is presented separately for remote and non-remote areas.

Identifying mining and non-mining areas

Several different geographic levels can be used to define mining and non-mining areas. In this paper, we used the Australian Bureau of Statistics Indigenous Areas (IAREs), 2011 classification. IAREs are medium-sized geographical units (ABS 2011). There are 429 IAREs covering the whole of Australia.

We considered three approaches to determining whether an area was mining or non-mining. An area could potentially be classified as a mining area if it met one of the following criteria:

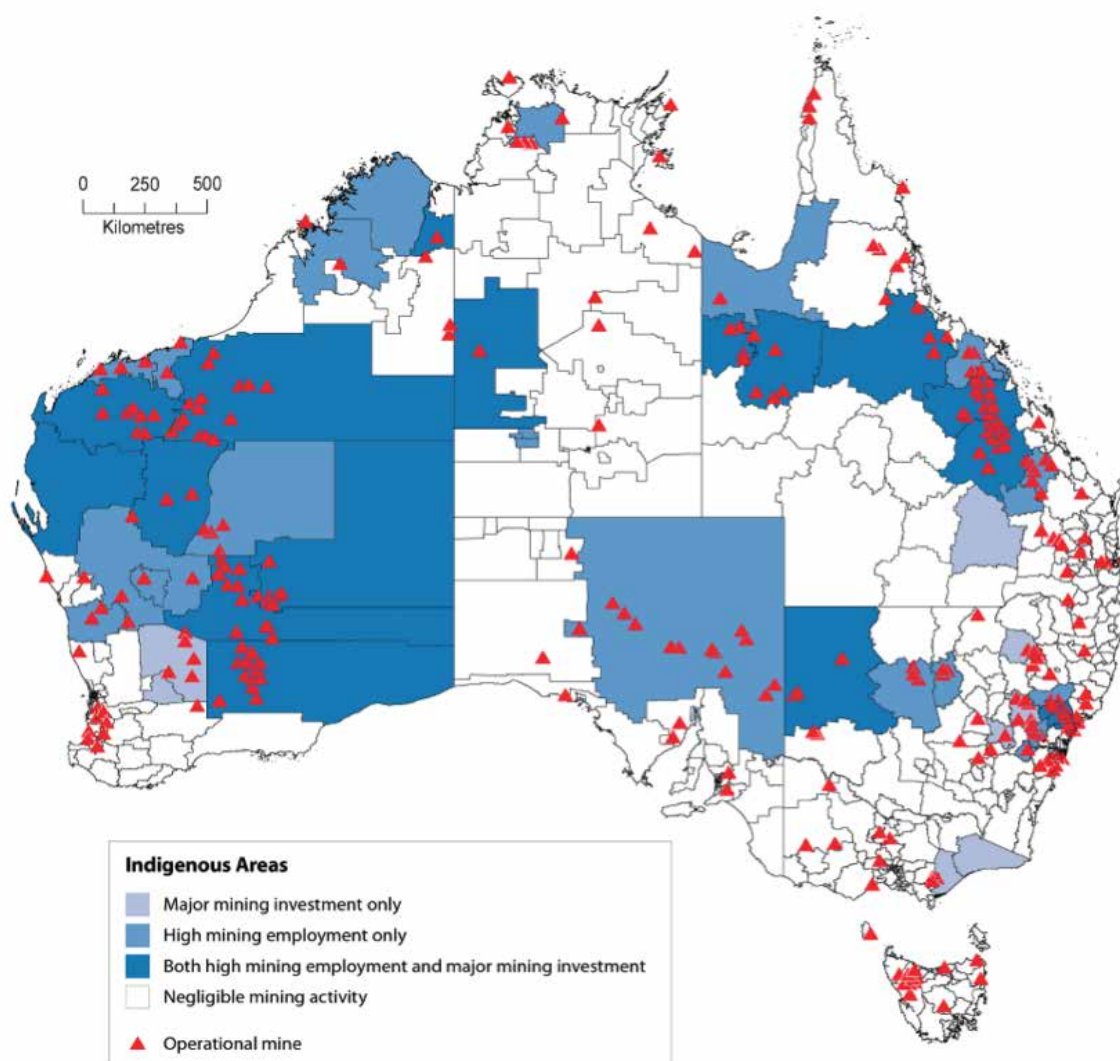
- it had at least one operating mine¹

- it had a mine or mines that exceeded an investment threshold
- it had substantial employment in mining.

The first approach risks identifying areas with only a low level of mining activity as mining areas and does not take into account the scale of mining activities. In practice, mines are spread widely across Australia (Fig. 1); therefore, this approach results in a high proportion of the population being classified as living in a mining area.

The second and third approaches involve taking into account the scale of mining activity in the area. The second approach does this by identifying IAREs in which at least one project had a mining investment of more than \$40m in 2012 (Bureau of Resources and

FIG. 1. Mining areas identified using different approaches



Notes: This map is based on geographic boundaries for the 2011 IAREs. Operating mines are as at 2012. The employment definition is based on data from the 2006 Census and aligned with the 2011 IAREs, using customised population concordances provided by the Australian Bureau of Statistics. The 'major mining investment' definition is for 2012. Major offshore investment in Australian territorial waters was assigned to the closest onshore IARE.

Energy Economics, 2012).² The third approach uses the proportion of the local population employed in the mining industry—for this paper, we used a threshold of 5 per cent of the population employed in mining in 2006.³ Of the 429 IAREs across Australia, 49 were classified as mining areas according to the employment definition, and 37 had mining investments of more than \$40 million.

Fig. 1 shows which areas are classified as mining areas or non-mining areas for each of the three approaches. It is clear that there is a substantial overlap of mining areas for the investment-based and employment-based measures (identified in dark blue)—22 IAREs are classified as mining areas by both the investment and mining employment classifications. Some areas are categorised as mining areas by one definition but not another (identified in the lighter blue shades)—27 IAREs are classified as mining areas using the employment measure but not the investment measure, and 15 IAREs are classified as mining using the investment measure but not the employment measure. The investment measure is more restrictive in that it classifies fewer IAREs as mining areas, but it has the advantage of identifying non-employment impacts of the scale of mining activity.

In this paper, IAREs are identified as mining or non-mining areas using the employment measure. This is because employment data are available from the census and all analysis is based on a single source; this has advantages for consistency of data, particularly the boundaries of geographic areas. Employment data from the 2006 Census allow us to identify mining areas based on the situation around the start of the current mining boom. The advantage of defining mining areas based on earlier census data is that the better outcomes in employment, income and housing in 2011 are not implicitly embedded in the classification. That is, the classification of mining is pre-determined and the analysis of 2011 outcomes is independent of the definition of a mining area.⁴

As a test of the sensitivity of using the employment-based measure of identifying mining areas, an analysis was also conducted using the size of investment in mining measure. Although the results of that analysis are not reported here, the broad conclusions were the same as those drawn using the employment measure, showing that the conclusions are robust.⁵

Impact of the mining boom on employment and income

We compared economic outcomes in mining areas with those in non-mining areas to estimate the economic impacts of mining. The analysis was conducted separately for remote and non-remote areas because of the very different nature of the economy in these areas, and because mining tends to constitute a much higher proportion of the economic activity in remote regions. Although the focus of this paper is on Indigenous Australians, the impact of mining on non-Indigenous Australians is also presented to provide a point of comparison.

The economic outcomes analysed are employment (total employment rate, full-time employment and employment directly in the mining industry) expressed as a proportion of the working-age population (i.e. aged between 15 and 64 years), personal income and household income.

Employment

In remote mining areas, 9 per cent of Indigenous employment in 2011 was directly in the mining industry, which is substantially lower than the 22 per cent of non-Indigenous employment in the same areas (Table 1). In non-remote mining areas, 9 per cent of Indigenous employment, and 13 per cent of non-Indigenous employment, was in mining.

In non-mining areas, Indigenous and non-Indigenous employment in the mining industry was only 1–2 per cent, and was likely to be in head offices or small-scale mines, or include FIFO workers who travel to mining areas to work.

While it follows that a higher proportion of employment in mining areas is directly in the mining industry, the overall level of employment and the level of full-time employment are also higher in mining areas. For Indigenous Australians in 2011, the employment to population ratio was higher in mining areas than in non-mining areas. In remote areas, the overall Indigenous employment rate in mining areas was 4 per cent higher than in non-mining areas (43% compared with 39%), and the rate of full-time employment was 5 per cent higher. In non-remote areas, there was an even more marked difference, with 55 per cent of Indigenous people in employment (compared with 48% in non-mining areas) and a 7 per cent higher full-time employment rate in mining areas.

For the non-Indigenous population, in remote areas there is little difference in the employment rates between

TABLE 1. Employment by whether mining area, remoteness and Indigenous status, 2011

	Remote		Non-remote	
	Mining	Non-mining	Mining	Non-mining
Number of regions	32	87	17	271
Indigenous	%	%	%	%
Mining employment to population ratio	9	1	9	1
Total employment to population ratio	43	39	55	48
Full-time employment to population ratio	24	19	35	28
Non-Indigenous				
Mining employment to population ratio	22	2	13	1
Total employment to population ratio	84	85	76	72
Full-time employment to population ratio	64	66	52	46

Note: The population for this table is working-age people (aged between 15 and 64 years). The Community Development Employment Program (CDEP) is classified as employment. Although it would be desirable to exclude CDEP employment, the census does not allow accurate identification of CDEP participants, so this is not possible. There is no reason to expect that the proportion of the population in CDEP will differ systematically between mining and non-mining areas. Furthermore, there were virtually no CDEP participants in non-remote areas in 2011, so the inability to exclude CDEP employment is unlikely to bias the estimates of the impact of mining on employment in mining areas.

Source: Customised tables from 2011 Census data

mining areas and non-mining areas. However, in non-remote areas the employment rate is higher in mining than non-mining areas (76% compared to 72%).⁶

Between 2006 and 2011, the proportion of both the Indigenous and non-Indigenous working-age populations employed in mining increased in all areas. The Indigenous working-age population employed in mining increased from 1.0 per cent to 1.7 per cent overall, from 1.7 to 3.1 per cent in remote areas, and from 0.7 to 1.3 per cent in non-remote areas. For the non-Indigenous population, employment in mining increased from 0.9 per cent to 1.3 per cent overall, from 7.9 to 11.6 per cent in remote areas and from 0.7 to 1.1 per cent in non-remote areas.

It is noteworthy that remote non-Indigenous residents have a very high level of employment (around 85%), irrespective of whether they live in a mining or non-mining area. This possibly reflects non-Indigenous people moving to remote areas for specific jobs and leaving if they lose their job (Biddle & Hunter 2006). In contrast, Indigenous people are more likely to live in a region for the long term, even if they tend to move short distances relatively frequently.

Personal income

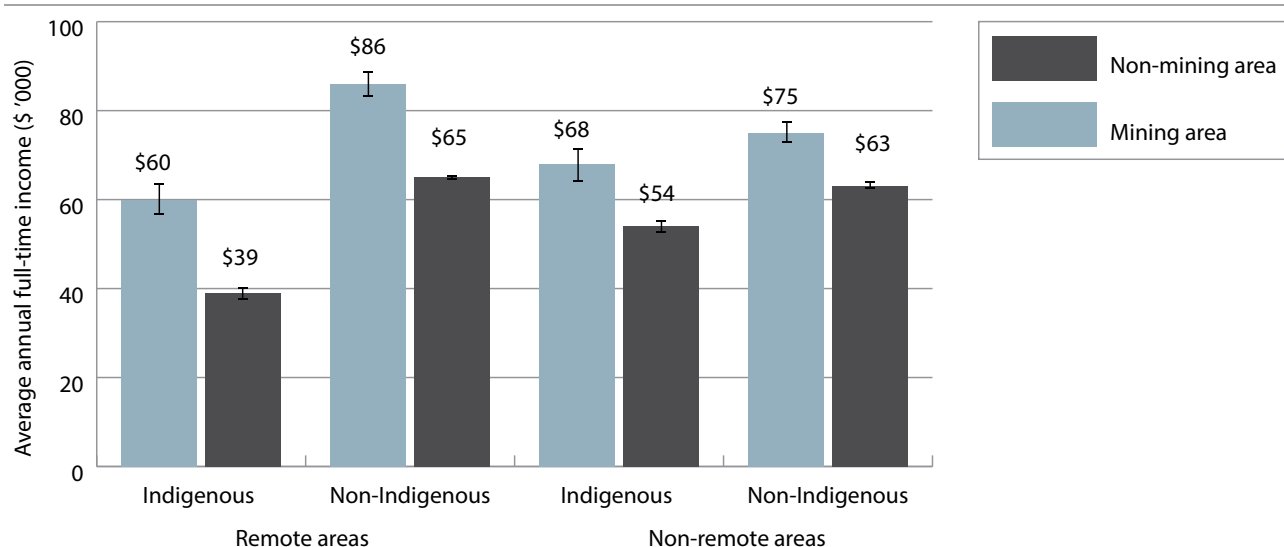
We hypothesise that the regional increases in demand for labour in mining areas (generated by the mining boom) flow through to increased local wages, irrespective of whether workers are employed in mining. This section therefore compares the average personal income of people living in mining and non-mining areas.

The census provides a measure of total gross personal income (i.e. income from all sources) only, and it is therefore not possible to directly measure labour market income. In order to focus as clearly as possible on labour market income (which is hypothesised to be affected by the mining industry), we examined the personal incomes of full-time workers because this group will receive relatively less of their income from government benefits than those who are not employed or are employed part-time.

Fig. 2 shows the average personal incomes of Indigenous and non-Indigenous workers employed full-time in mining and non-mining areas and remote and non-remote areas. Average personal incomes (largely comprised of labour market incomes) are substantially higher in mining areas than non-mining areas for both Indigenous and non-Indigenous employees and in remote and non-remote areas. For example, for full-time employed Indigenous workers, the average annual income in remote mining areas is \$60,000 compared with \$39,000 in remote non-mining areas. The largest differential between mining and non-mining areas is for Indigenous workers employed full-time in remote mining areas.⁷

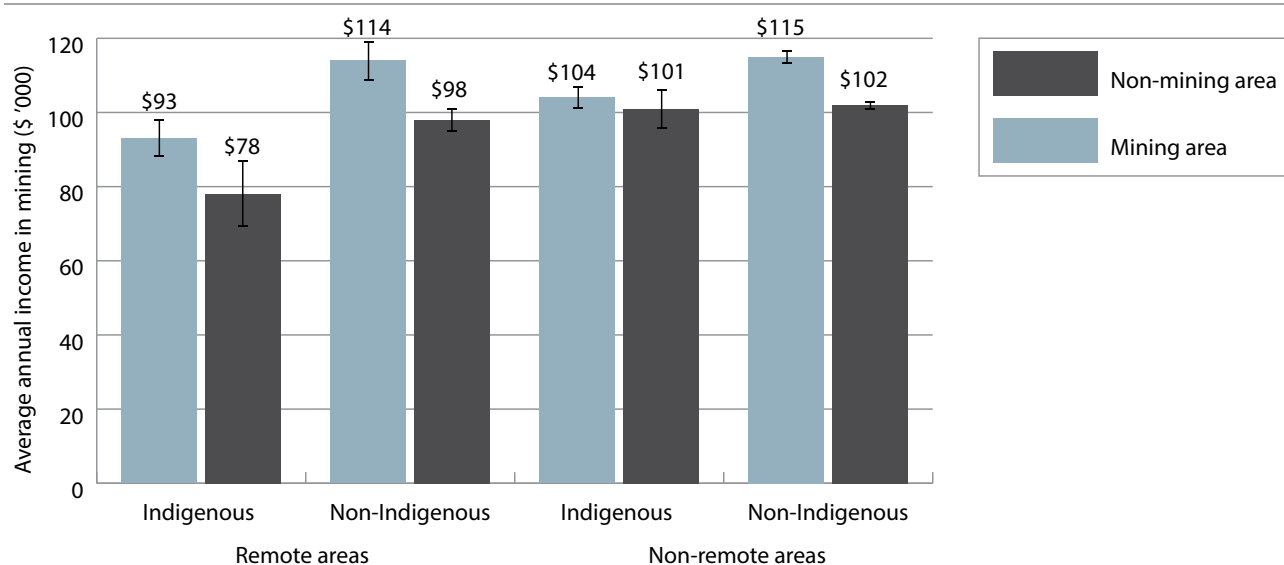
Fig. 3 shows the average personal incomes of Indigenous and non-Indigenous workers employed in the mining sector, in mining and non-mining areas, by geographic remoteness. Because 93 per cent of mining employment is full-time, a high proportion of total income will be derived from employment for those who work in mining. Overall, Indigenous people employed in the mining sector in 2011 had an average annual personal income

FIG. 2. Average annual personal income if employed full-time in mining and non-mining areas, by remoteness and Indigenous status, 2011



Notes: The census measure of personal income reports the gross income from all sources. The whiskers reported are the 95 per cent confidence intervals based on the bootstrapped standard errors of estimates of IARE data. Full-time employment is 35 hours per week or more.
Source: Customised tables from 2011 Census data.

FIG. 3. Average annual personal income if employed in mining and non-mining areas, by remoteness and Indigenous status, 2011



Notes: The census measure of personal income reports the gross income from all sources. The whiskers reported are the 95 per cent confidence intervals based on the bootstrapped standard errors of estimates of IARE data.
Source: Customised tables from 2011 Census data.

of \$98,800, compared with the average annual personal income for all employed Indigenous people of \$46,800. Non-Indigenous people employed in the mining sector had an average annual personal income of \$114,400, compared with that for all non-Indigenous employed people of \$57,200.

Average incomes of those employed in mining are higher in both remote and non-remote mining and non-mining areas than the total full-time employed (either in mining or

non-mining sector jobs) in equivalent areas (comparing Figs 2 and 3). This reflects the high average wages paid by the mining sector. The fact that average personal incomes of those employed in the mining sector are higher in remote mining areas than in remote non-mining areas for both Indigenous and non-Indigenous workers suggests that the substantially higher demand for labour, driven by a relatively large mining sector in such areas, leads to higher wages.

In non-remote areas, the incomes of mining workers are also higher in mining areas than in non-mining areas, but the difference is smaller than in remote areas (particularly for Indigenous workers).

Household income

Household income provides a measure of financial wellbeing that takes into account the incomes of others with whom people live. When comparing financial living standards of households, it is important to adjust income for differences in household size and composition to reflect differences in costs of living. This is commonly done using equivalence scales. Unfortunately, the grouped nature of census data available at the time of writing this paper makes it difficult to determine a precise and credible adjusted income (Hunter, Kennedy & Biddle 2004); therefore, unadjusted household incomes are reported in this paper.

There are substantial differences in average household size and composition between Indigenous and non-Indigenous households, and, for the Indigenous population, between remote and non-remote areas.⁸ This means that differences in household income between these groups cannot be interpreted as reflecting differences in living standards. However, because there are only small differences in household size between remote mining and non-mining areas and non-remote mining and non-mining areas, comparisons of household income between mining and non-mining

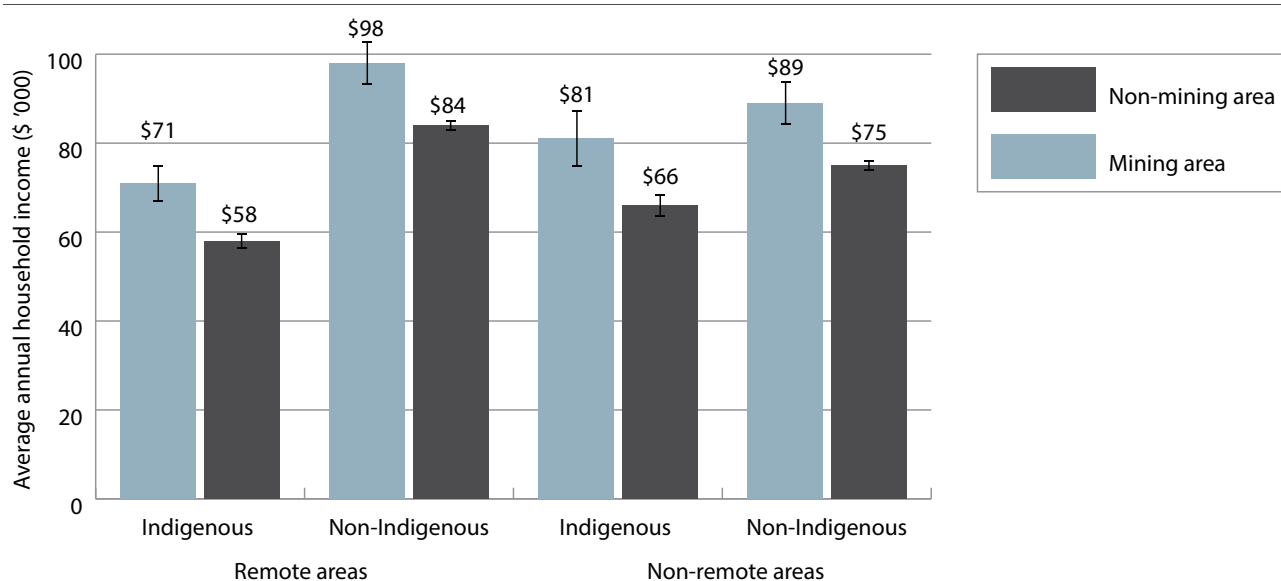
areas can provide estimates of differences in household incomes that are not affected by differences in average household size.

Average household incomes are higher in mining areas than non-mining areas for both Indigenous and non-Indigenous households in both remote and non-remote areas (Fig. 4). This reflects both the higher wages paid in mining areas and the higher employment rate in mining areas. The differences in income are substantial—for example, in remote areas, Indigenous households in mining areas have an average income of \$71,000 compared with \$58,000 in non-mining areas.

Impact of the mining boom on housing costs

It is clear that the mining boom has resulted in substantial increases in Indigenous employment in the mining sector, which has had a positive impact on the employment and average income levels of Indigenous people living in mining areas. However, there are concerns about the impact of the increased economic activity and the influx of workers into the areas on housing costs and housing affordability. These concerns generally relate to people who are not employed in the mining industry, and particularly to those who are unemployed and on fixed-income government benefits.

FIG. 4. Average annual household income in mining and non-mining areas, by remoteness and Indigenous status, 2011



Notes: The census measure of household income reports the gross income from all sources when all adults in the house provide information on their income. The whiskers reported are the 95 per cent confidence intervals based on the bootstrapped standard errors of estimates of IARE data.

Source: Customised tables from 2011 Census data.

Housing costs

The effect of the mining boom on the wellbeing of people in mining areas depends, in part, on the impact on the cost of living. A key component of the cost of living is housing. There are complexities in measuring housing costs, but rental and mortgage payments are a measure for people who do not own their home outright.⁹ Rents in mining areas are substantially higher than in non-mining areas, for both Indigenous and non-Indigenous Australians in remote and non-remote areas (Fig. 5). For remote non-Indigenous households, rents in mining areas are about \$2,500 higher per year (or about 43% higher) than in non-mining areas. For remote Indigenous households, average rents are about \$1,700 higher (about 37% higher) in mining than non-mining areas. Rents are higher in non-remote areas than in remote areas.

Mortgage repayments also provide a measure of housing costs, and the size of the average mortgage is also related to housing costs. For Indigenous and non-Indigenous households, average mortgage repayments are slightly higher in mining areas than non-mining areas in both remote and non-remote areas (Fig. 6). For Indigenous households in non-remote areas, the difference in the average mortgage in mining and non-mining areas is relatively small, but in remote areas the difference is substantial—mortgages in mining areas are about one-third higher (approximately \$5,000 per year higher) than in non-mining areas. This suggests there is a shortage of housing in mining areas.

Home ownership

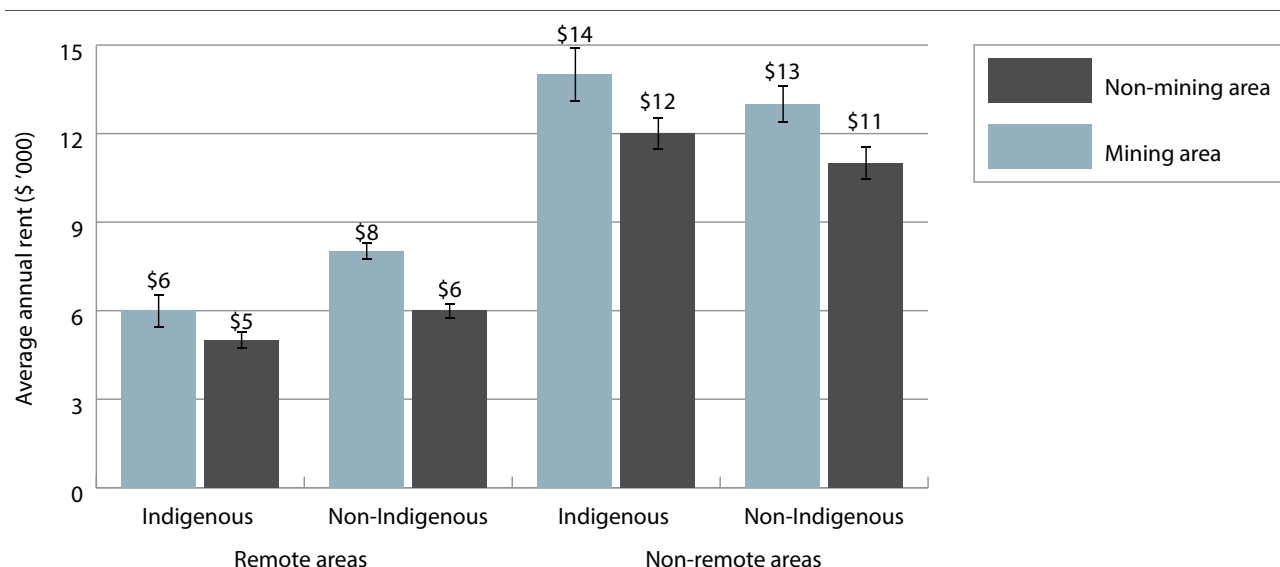
Fig. 7 reports home-ownership rates (own outright or purchasing) in mining and non-mining areas according to remoteness and Indigenous status. Indigenous home-ownership rates are substantially higher in remote mining areas than remote non-mining areas, reflecting the higher employment rates and incomes in mining areas. This is consistent with the estimates presented above that mortgage costs in mining areas are only slightly higher than in non-mining areas. In non-remote areas, Indigenous home-ownership rates are slightly higher in mining areas (42.7%) than non-mining areas (40.8%).

Home-ownership rates are also higher for non-Indigenous people in remote mining areas than remote non-mining areas. In non-remote areas, non-Indigenous home-ownership rates are slightly lower in mining areas than non-mining areas.

Housing overcrowding

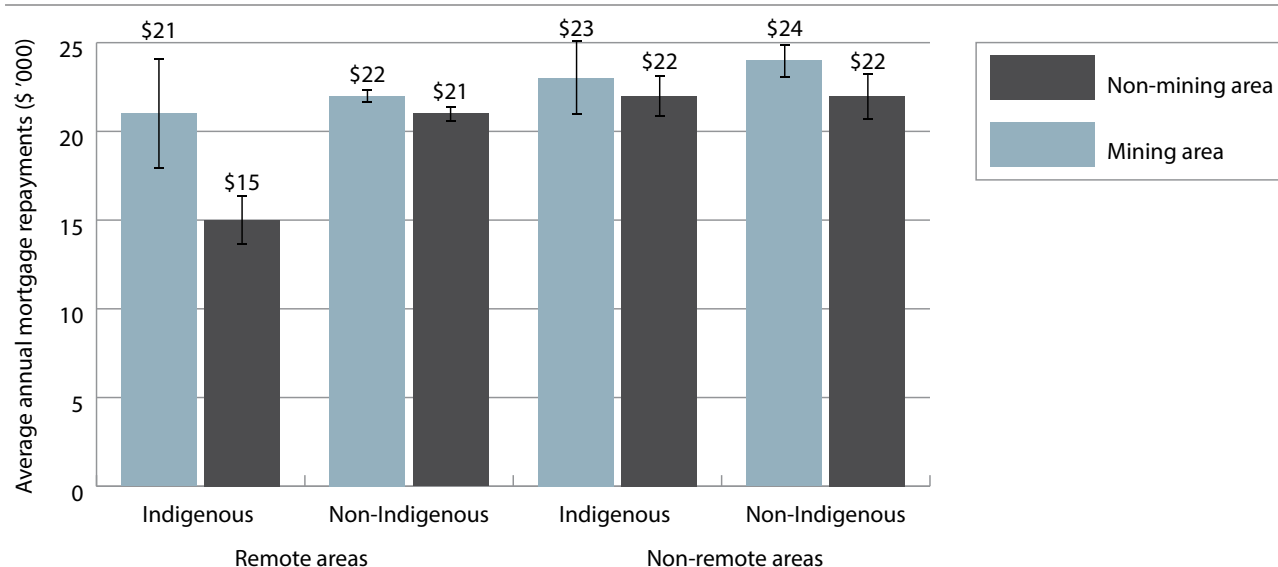
In response to increasing housing costs relative to income, some households may accommodate more people per dwelling, potentially resulting in overcrowding. Overcrowding occurs when the number of people living in a household is greater than the minimum number of bedrooms required by a housing occupancy standard (taking into consideration the residents' age, sex and their relationship to one another). We used the Canadian National Occupancy Standard (CNOS), an

FIG. 5. Average annual rent in mining and non-mining areas, by remoteness and Indigenous status, 2011



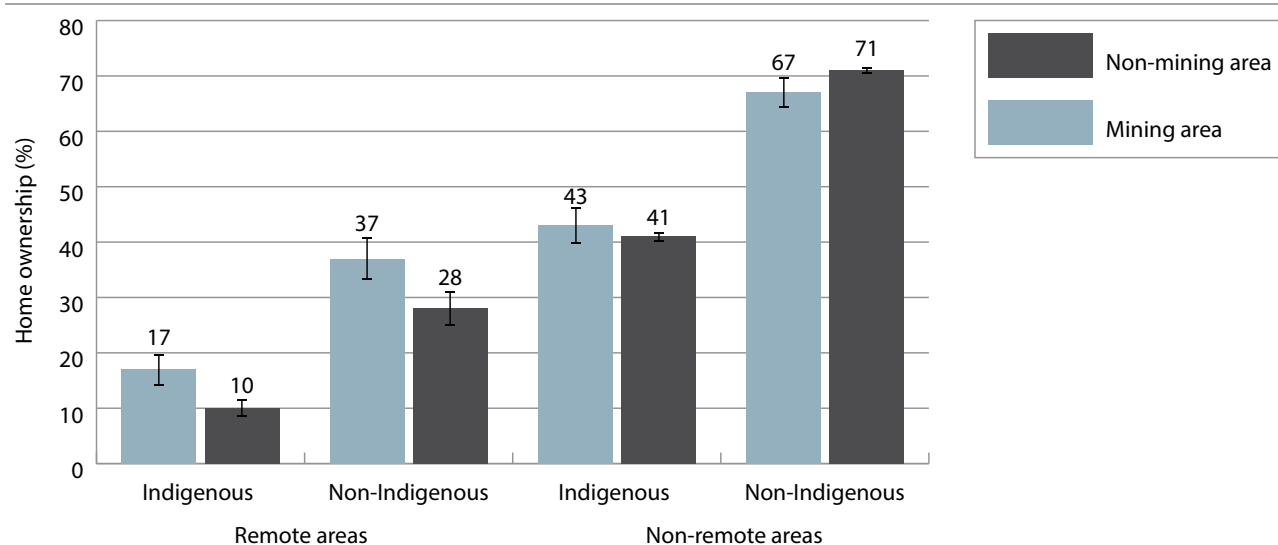
Notes: Numbers have been scaled to an accurate measure of the average rent, but rounding errors prevent accurate representation and mean that the actual differences in rent are larger than shown. The whiskers reported are the 95 per cent confidence intervals based on the bootstrapped standard errors of estimates of IARE data.

Source: Customised tables from 2011 Census data.

FIG. 6. Average annual mortgage repayments in mining and non-mining areas, by remoteness and Indigenous status, 2011

Note: The whiskers reported are the 95 per cent confidence intervals based on the bootstrapped standard errors of estimates of IARE data.

Source: Customised tables from 2011 Census data.

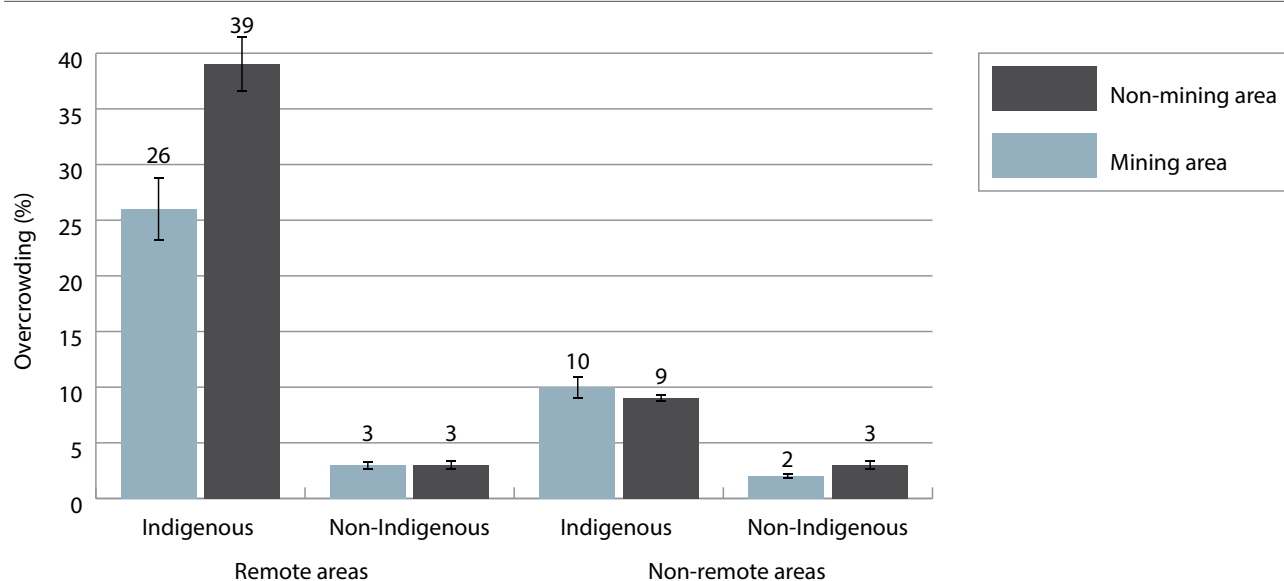
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Note: The whiskers reported are the 95 per cent confidence intervals based on the bootstrapped standard errors of estimates of IARE data.

Source: Customised tables from 2011 Census data.

internationally recognised standard, to estimate the extent of overcrowding. Although there is debate about the applicability of this standard in the context of remote Indigenous Australia (Memmott et al. 2012), it provides important benchmarks, and, considering the differences between mining and non-mining areas, the cultural differences that drive the call for Indigenous-specific measures of housing adequacy are relatively minimal.

Although housing costs are higher, on average, in mining areas than in non-mining areas, incomes are also higher. It is possible that the higher housing costs in mining areas reflect higher quality or larger houses being constructed and purchased in mining areas. The census has only limited data on quality of housing, but it does measure the number of bedrooms per resident. Using this measure, the proportion of households that are experiencing overcrowding is relatively small, except in remote Indigenous Australia (Fig. 8).

FIG. 8. Overcrowding by substantial mining employment, remoteness and Indigenous status, 2011

Source: Customised tables from 2011 Census data.

The census data also reveal that, on average, Indigenous households in remote mining areas are substantially less likely to be overcrowded than Indigenous households in remote non-mining areas (26.2% compared to 38.8%). The census data do not support the hypothesis that there has been overcrowding in houses in mining areas, which has offset increases in average housing costs. It appears that, on average, higher incomes in remote mining areas offset the impacts of higher housing costs in these areas.

Impact of the mining boom on income distribution

We have shown that employment, average incomes and housing costs are all higher in mining areas compared with non-mining areas. However, these measures do not tell us about how mining has affected the distribution of income, or about how people on low incomes (generally, those not employed in the mining industry) are affected by the mining boom.

Figs 9 to 12 show the income distribution by remoteness and Indigenous status, using data from the 2011 Census.

For remote Indigenous households, the income distribution is flatter in mining areas than non-mining areas due to slightly fewer very low income households, fewer middle-income households and substantially more higher-income households in mining areas (Fig. 9). For remote non-Indigenous households, there are also slightly fewer very low income households and substantially fewer middle-income households in mining areas compared with non-mining areas. There is

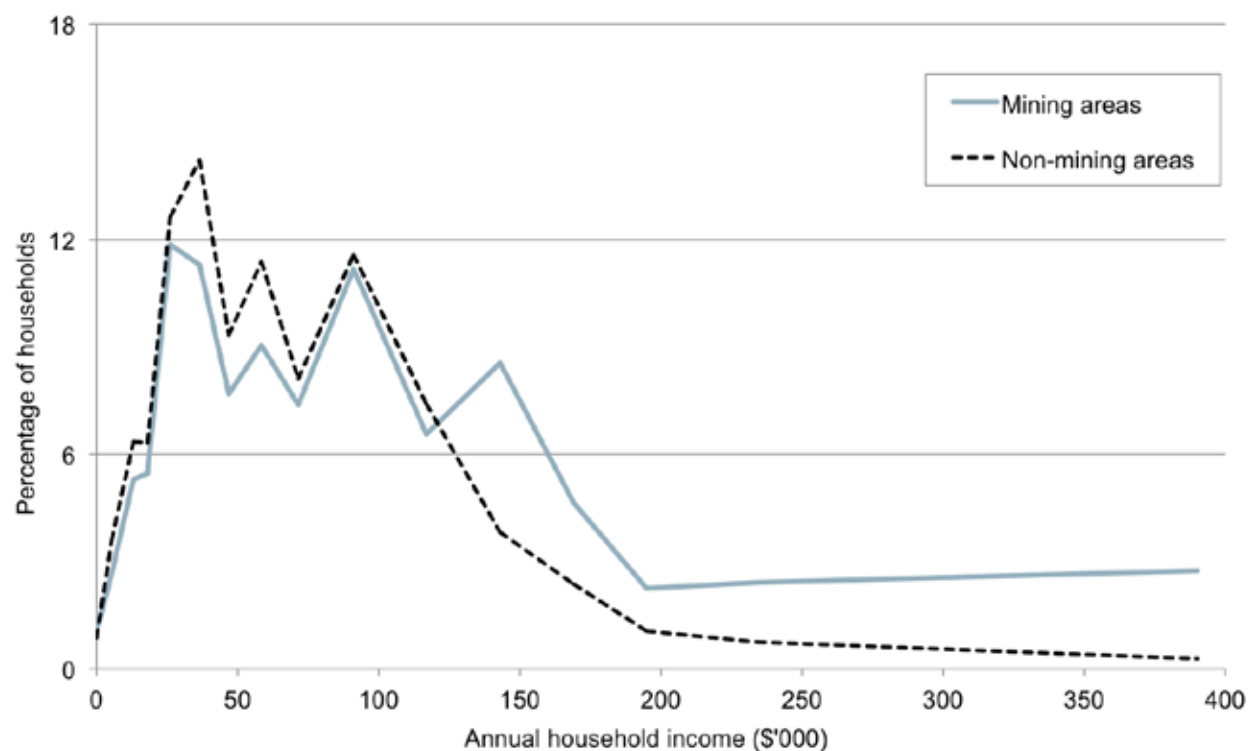
a substantial spike in household income of between \$130,000 and \$156,000 in mining areas, which is not the case in non-mining areas (Fig. 10).

For Indigenous households in non-remote areas, there is little difference in the proportion of very low income households between mining and non-mining areas. There are fewer middle-income and more high-income households in mining areas than non-mining areas (Fig.11).

To summarise the impact of the mining boom on household incomes, we considered the proportion of households in the bottom 40 per cent of the national income distribution. This equates to an income of less than \$52,000 per year; households in this category are considered here to be low income (Fig. 12).

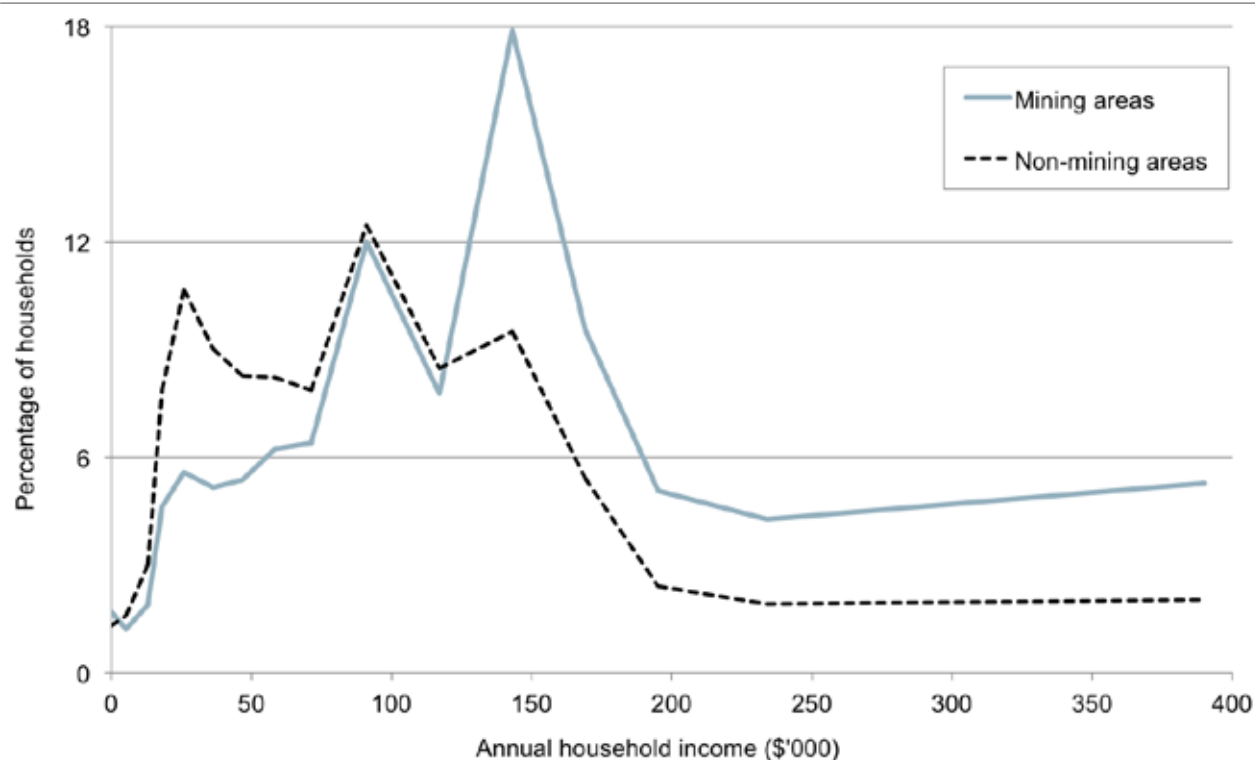
Table 2 shows the proportion of Indigenous and non-Indigenous households that are classified as low income in mining and non-mining areas. In both remote and non-remote areas, the proportion of households that are classified as low income is less in mining areas than in non-mining areas. For Indigenous households, the proportion of households that are low income is about 8 per cent lower in mining areas than non-mining areas, in both remote and non-remote areas. For non-Indigenous households, the proportion of low-income households is about 16 per cent lower in remote mining areas than remote non-mining areas, and about 5% lower in non-remote mining areas than non-remote non-mining areas.

FIG. 9. Distribution of household income in remote Indigenous households in mining and non-mining areas



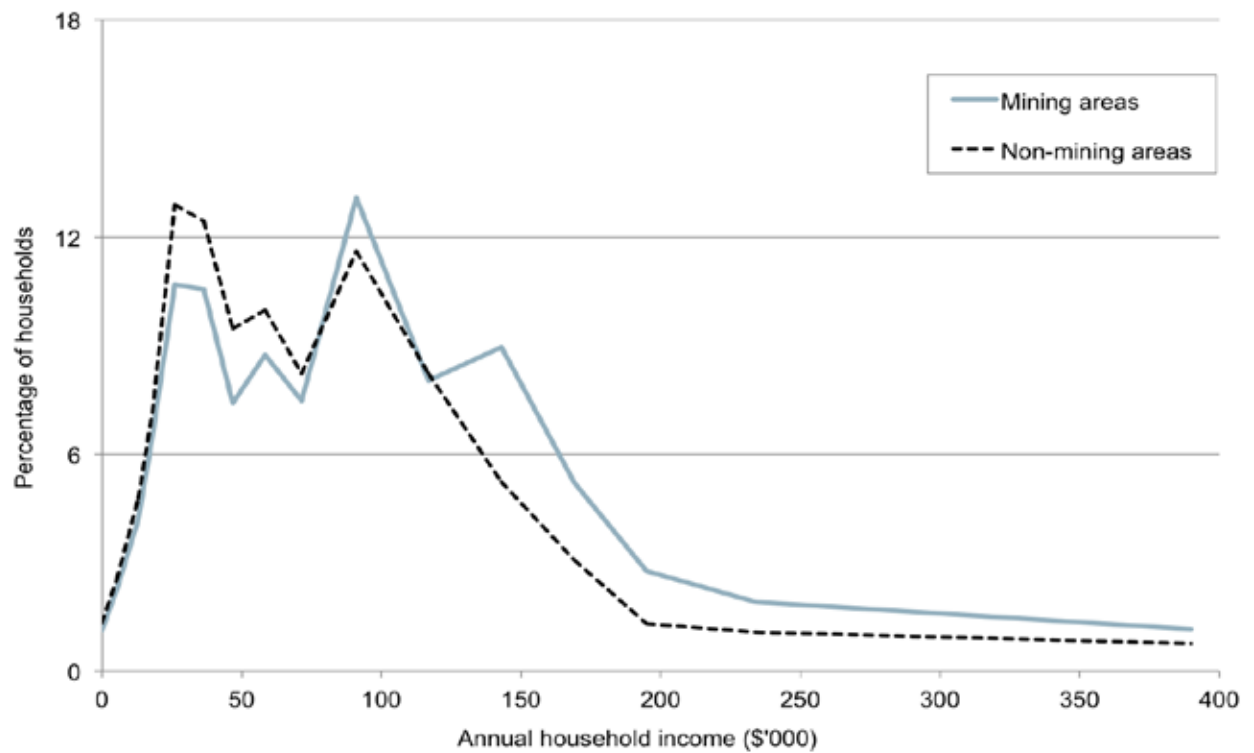
Source: Customised tables from 2011 Census data.

FIG. 10. Distribution of household income in remote non-Indigenous households in mining and non-mining areas



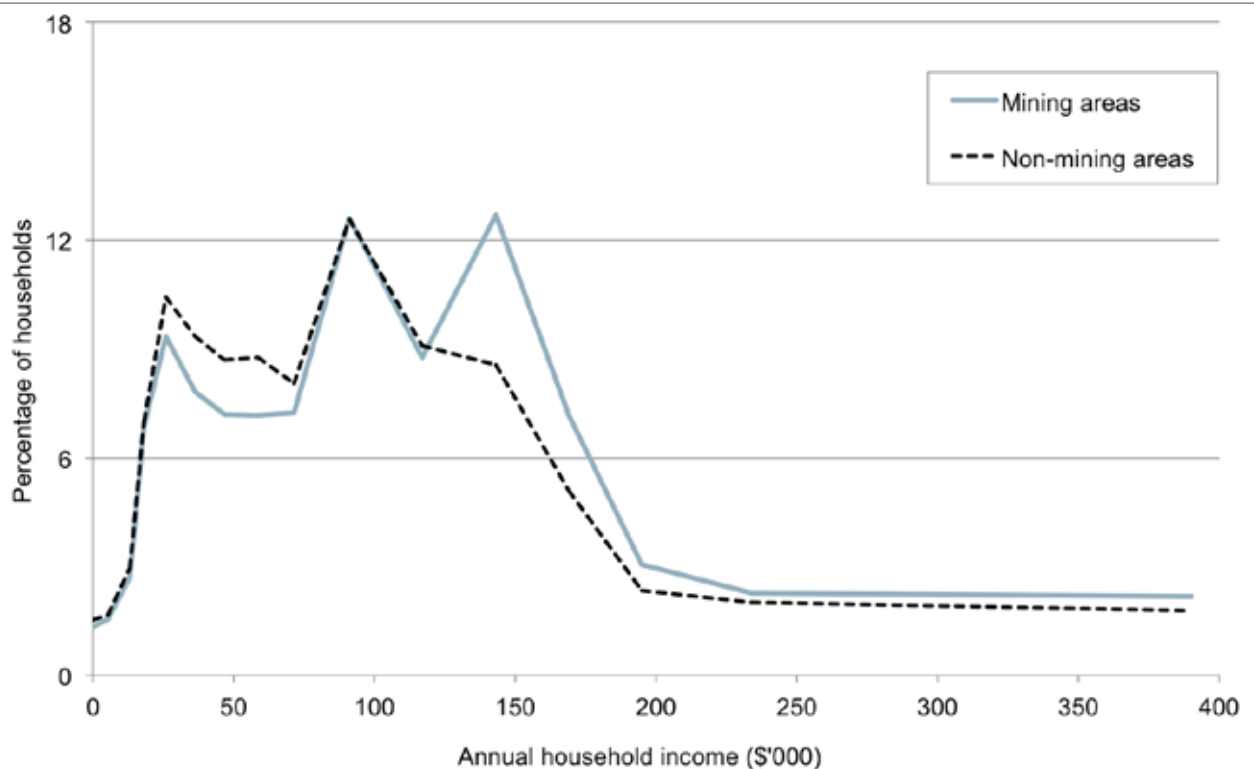
Source: Customised tables from 2011 Census data.

FIG. 11. Distribution of household income in non-remote Indigenous households in mining and non-mining areas



Source: Customised tables from 2011 Census data.

FIG. 12. Distribution of household income in non-remote non-Indigenous households in mining and non-mining areas



Source: Customised tables from 2011 Census data.

TABLE 2. Proportion of households in the bottom 40 per cent of the income distribution in mining and non-mining areas, by remoteness and Indigenous status, 2011

	Remote		Non-remote	
	Mining %	Non-mining %	Mining %	Non-mining %
Indigenous	45.3	53.3	42.7	50.6
Non-Indigenous	25.6	41.7	36.8	41.7

Source: Customised tables from 2011 Census data.

Impact of the mining boom on housing stress

A variety of different approaches to defining housing stress have been used in the literature. A common approach is to classify a household as experiencing housing stress if their housing costs are more than a certain proportion of their household income and they are a low-income household. Higher income households that spend more than the threshold proportion of their income on housing are not defined as experiencing housing stress because this is likely to reflect a choice either to use housing as an investment or to maintain a higher quality of housing than is required to meet their housing needs.

In this paper, a household is classified as experiencing housing stress if their housing costs are more than 30 per cent of household income and if the household income is in the lowest 40 per cent of national household incomes—this is known as the ‘30/40 rule’ (see, for example, Yates et al. 2007). We also use the ‘30 rule’, where more than 30 per cent of household income is spent on housing, irrespective of income.

For households in the bottom 40 per cent of the national income distribution, the proportion of households experiencing housing stress depends on the combined effects of:

- the cost of housing
- the average income
- the proportion of low-income households in the region.

Table 3 shows the levels of housing stress for different types of households. ‘All households’ includes both renters and people who own or are purchasing their

home. ‘Renters’ are also shown separately because many low-income households will not have the option of buying a house and are therefore confined to the rental market.

In remote areas generally, a slightly higher proportion of Indigenous households in mining areas experience housing stress compared to non-mining areas. However, Indigenous low-income renters experience a higher rate of housing stress in remote mining areas (25.9%) than in non-mining areas (20.3%). Although low-income renters are adversely affected by the mining boom, the mining boom has also reduced the number of renting low-income Indigenous households.

For the non-Indigenous population, housing stress is lower in remote mining areas than remote non-mining areas for all households (30/40 rule and 30 rule) and renters. However, there is a negligible difference between remote mining and non-mining areas for housing stress of low-income renters. This is explained by the lower proportion of low-income non-Indigenous households in remote mining areas (see Table 2).

In non-remote areas, housing stress is substantially lower for Indigenous households in mining areas compared to non-mining areas for all four measures of housing stress (Table 3). This reflects the fact that, in non-remote areas, the mining boom increases household incomes. However, the fact that mining accounts for a smaller proportion of employment in these areas means that the impact of mining on the housing market is much less in non-remote areas compared to remote areas.

Discussion and conclusion

The major expansion of mining in Australia since the turn of the century has seen substantial increases in Indigenous employment in the mining industry. Much of this growth has been in remote areas with major mines, such as the Pilbara. Research to understand the economic impact of mining on Indigenous people living in mining areas has, to date, only been undertaken for specific communities as case studies.

This paper has taken a different approach, using national census data to estimate the impact of mining on employment and income for Indigenous people, house prices and rents in mining areas, and housing costs, particularly for those on low incomes who have not benefited economically from the mining boom.

Indigenous employment is higher in mining areas than non-mining areas in both remote areas (4% higher) and

TABLE 3. Proportion of households experiencing housing stress in mining and non-mining areas, by remoteness and Indigenous status, 2011

	Remote		Non-remote	
	Mining %	Non-mining %	Mining %	Non-mining %
Housing stress, 30/40 rule, all households				
Indigenous	10.6	10.3	17.1	25.8
Non-Indigenous	5.0	8.4	8.8	13.9
Housing stress, 30 rule, all households				
Indigenous	14.2	12.3	23.2	32.6
Non-Indigenous	11.1	13.2	15.0	23.2
Housing stress, 30 rule, all renters				
Indigenous	12.6	11.3	25.2	37.5
Non-Indigenous	6.5	14.2	19.7	33.8
Housing stress, 30 rule, low income renters				
Indigenous	25.9	20.3	48.4	60.7
Non-Indigenous	37.4	36.9	53.7	68.5

Note: The rules for each panel are applied to the respective populations to estimate the number of households in housing stress (which is then expressed as a percent of the relevant population). For example, housing stress in the last panel is measured as a percent of low income renters who spend more than 30 per cent of income on rent.

Source: Customised tables from 2011 Census data.

non-remote areas (7% higher). Average incomes are also higher in mining areas, and there are fewer low-income Indigenous households in mining areas compared to non-mining areas.

Although housing costs are higher in remote mining areas than remote non-mining areas, the increases in average incomes means that, on average, housing stress (for those with a household income in the bottom 40 per cent of the national household income distribution) is not higher in mining areas. However, the averages hide an important distribution issue because in remote mining areas the proportion of Indigenous households in the bottom 40 per cent of household incomes is 45.3 per cent, compared with 53.3 per cent in remote non-mining areas. There is a similar picture in non-remote areas. This means that the similar estimates of housing stress in the Indigenous population in mining and non-mining areas are generated from a smaller pool of low-income Indigenous people; thus, the probability of a low-income household in a mining area being in housing stress is higher relative to non-mining areas.

It is important that attention is paid to the increase in inequality in living standards that the mining boom is generating in some remote areas of Australia. Although the average level of Indigenous housing stress is similar in remote mining and non-mining areas, the level of

housing stress among low-income renting households is higher in remote mining than non-mining areas. People on a fixed low income, particularly those who depend on government benefits for their income, are disadvantaged by increased housing and other costs resulting from the mining boom.

In non-remote areas, there is evidence that the higher incomes in mining areas are translating into substantially lower levels of housing stress than in non-mining areas, including for low-income rental households.

Use of IAREs in the analysis

The analysis in this paper focused on IAREs, some of which can cover sizable areas, especially in remote areas (e.g. South Hedland IARE is about 800 km long and 200–400 km wide). The housing and labour markets can vary substantially within such large areas, and the findings of this paper may change if we focused on smaller areas. For example, there is evidence of substantial increases in house costs in some of the major mining towns. The ABS data on Indigenous locations indicate that average weekly rents in Port Hedland increased from around \$235 to \$335 between 2006 and 2011. Over the same period, average rents in an Indigenous community near Port Hedland, Tjalka Brooda, increased from around \$75 to \$100 per week.

Focusing on averages for relatively large areas like IAREs can hide localised variation in the housing market. For example, Aboriginal community housing rents will not be affected by mining if most mining workers are not allowed to live in those communities. Therefore, while the average rents are higher in mining areas, some parts of mining areas will have substantially lower rents than other parts where mining workers live.

The use of IAREs in this paper helped to identify clear economic benefits to the Indigenous population from mining activity, which is often undertaken on or near Indigenous land. In 2013, there is some evidence that the extraordinarily high levels of mining investment over the last decade are returning to more normal levels, but the production boom is only just beginning. The challenge in the short to medium term is how Indigenous Australians can gain greater benefits from mining production, including through employment, business development, investments in infrastructure, and payments from mining companies as a result of agreements with traditional owners.

Implications for housing and policy

In remote mining areas, investors may not see the value of building extra housing in response to housing price increases. They may be concerned that the increases in prices may be short-lived, given that mines have finite lives either due to exhaustion of the resource or declines in demand for the minerals being extracted. Because houses are long-term assets that are likely to last longer than the average mining boom, market mechanisms may not lead to the housing stock adjusting to meet short-term housing shortages. However, the housing market in non-remote areas seems to accommodate the increased ability to pay in areas experiencing the mining boom (arising from higher wages and incomes). One explanation for the different effects of mining on housing is that the housing stock is more likely to adjust in non-remote areas as price signals change. An important factor is the diversity of the local economy—in non-remote areas where other industries may remain profitable after any decline in mining, the housing stock may adjust more quickly as housing prices are less likely to fall; hence, investors will not lose money on their investment.

Non-remote areas may include many FIFO workers whose jobs are in remote Australia. Although many non-remote mining workers may be employees in local mines, a significant number will fly to their mining jobs. The 2013 Federal Inquiry into the impact of FIFO workforce practices cited Western Australian data that showed that 47 per cent of all mining workers were employed

on a FIFO basis (House of Representatives Standing Committee on Regional Australia 2013). If extrapolated to the whole of Australia, this would mean that, at the time of the 2011 Census, around 95,000 employees were FIFO workers, of whom around 3,300 were Indigenous.

The large number of FIFO workers is one reason why housing costs have not increased more in many mining areas. FIFO workers may still place pressure on the housing markets because they require temporary accommodation in the area while they are working, but the impact on the housing market is much smaller than if their household relocated to the area.

How can policy best address the inflationary effects of mining on low-income households that are not benefiting economically from the mining activities occurring in their local area? One option is to increase the housing stock by increasing either private or public investment. Mining companies could be encouraged to minimise the demands on the local housing stock by ensuring that sufficient housing is available for their FIFO workforce and workers who move to the area to work for the company, without driving up prices for existing housing. There is a range of ways for governments to encourage mining companies to invest in local housing, including through the tax system or by linking approval for mining to the company having a strategy for dealing with impacts on the local housing market.

Additionally, governments could choose to directly provide funding for public and community housing. The recent Federal Inquiry into FIFO workforce practices recommended that the National Housing Supply Council urgently develop and implement a strategy to address the supply of affordable housing in resource communities. One possibility is that local government facilitates the release of land suitable for residential development in such communities. Indeed, Fortescue Metals Group argues that it has been forced into heavier reliance on FIFO because of the slow and expensive release of land (Spooner 2012).

Although the mining boom may have social costs in affected communities, the main economic effect is positive for Indigenous and non-Indigenous communities, as the income improvements are substantial for most households and often greater than the increase in housing costs. The challenge for policy makers and businesses is to ensure that the social costs are managed equitably and the benefits of the mining boom are shared throughout the local community.

Notes

1. Information on operating mines is from Geoscience Australia (www.australianminesatlas.gov.au/mapping/downloads.html, accessed 25 September 2012).
2. Data on major mining investment in 2012 are provided by the Bureau of Resources and Energy Economics for specific mining projects (including precise geographic coordinates).
3. This threshold is substantially higher than the national average for the 2006 Census, in which 0.7 per cent of the total Australian working-age population was employed in mining.
4. The analysis therefore avoids issues arising from the statistical phenomenon known as 'regression to the mean'.
5. Not only were different measures of mining activities used to define mining areas, but different thresholds of mining activities were also used (i.e. if the percentage of the working-age population employed in mining in 2006 was more or less than the 5 per cent threshold used in this paper). Rather than report all the sensitivity analyses, the overall positive socioeconomic outcomes associated with mining can be illustrated by the significant positive correlations between average household incomes and the proportion of the working-age population employed in mining in 2006. For example, average 2011 incomes for Indigenous and non-Indigenous households were significantly correlated with mining employment in 2006 at the 1 per cent level (with correlation coefficients of 0.30 and 0.39, respectively).
6. The following analysis uses this IARE data to assess whether differences between mining and other areas are statistically significant. The whiskers reported in bar charts are the 95 per cent confidence intervals based on the bootstrapped standard errors of estimates of IARE data (MacKinnon 2002). If an estimate lies outside the range of a set of whiskers for another estimate, then the statistics are significantly different from one another.
7. The average income is for all employed people (including workers employed part-time). The broad conclusions derived from Fig. 2 remain unchanged (albeit the size of the differentials in income is somewhat smaller) when the estimates include workers employed part-time.
8. In this paper, Indigenous households are defined as households in which at least one usual resident is an Aboriginal or Torres Strait Islander person.
9. The census does not provide data on costs of home ownership such as payment of rates. For those who own their home outright, housing costs are therefore treated as zero, which of course is not correct. However, these costs tend to be relatively small and an inability to take them into account will not have a material impact on the estimates of housing affordability and stress.

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